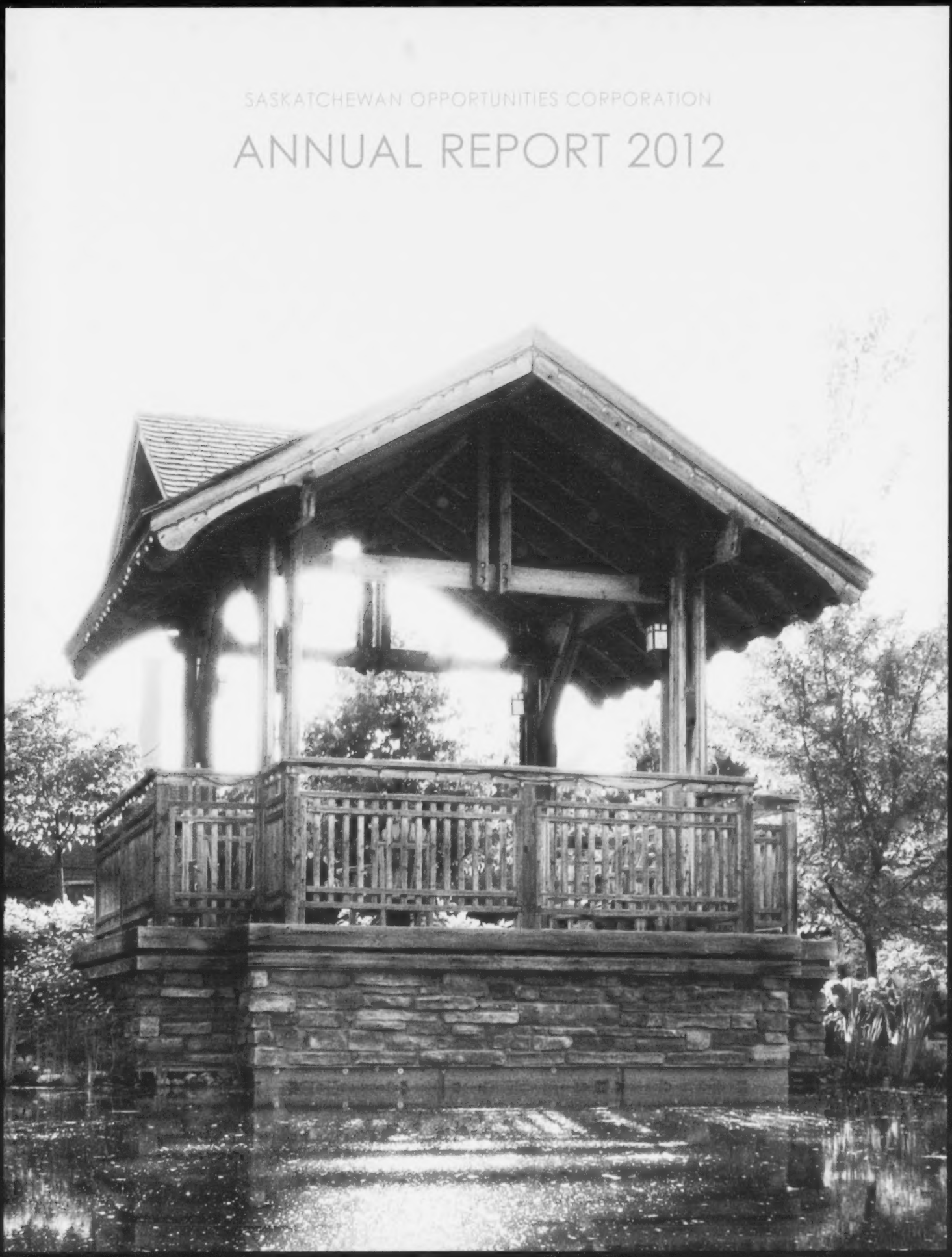
SASKATCHEWAN OPPORTUNITIES CORPORATION

ANNUAL REPORT 2012



LETTER OF TRANSMITTAL

March 31, 2013

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M, S.V.M.,
Lieutenant Governor of Saskatchewan

Dear Madam:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation for the year ended December 31, 2012, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully submitted,

Donna Harpauer
Minister Responsible for Saskatchewan Opportunities Corporation

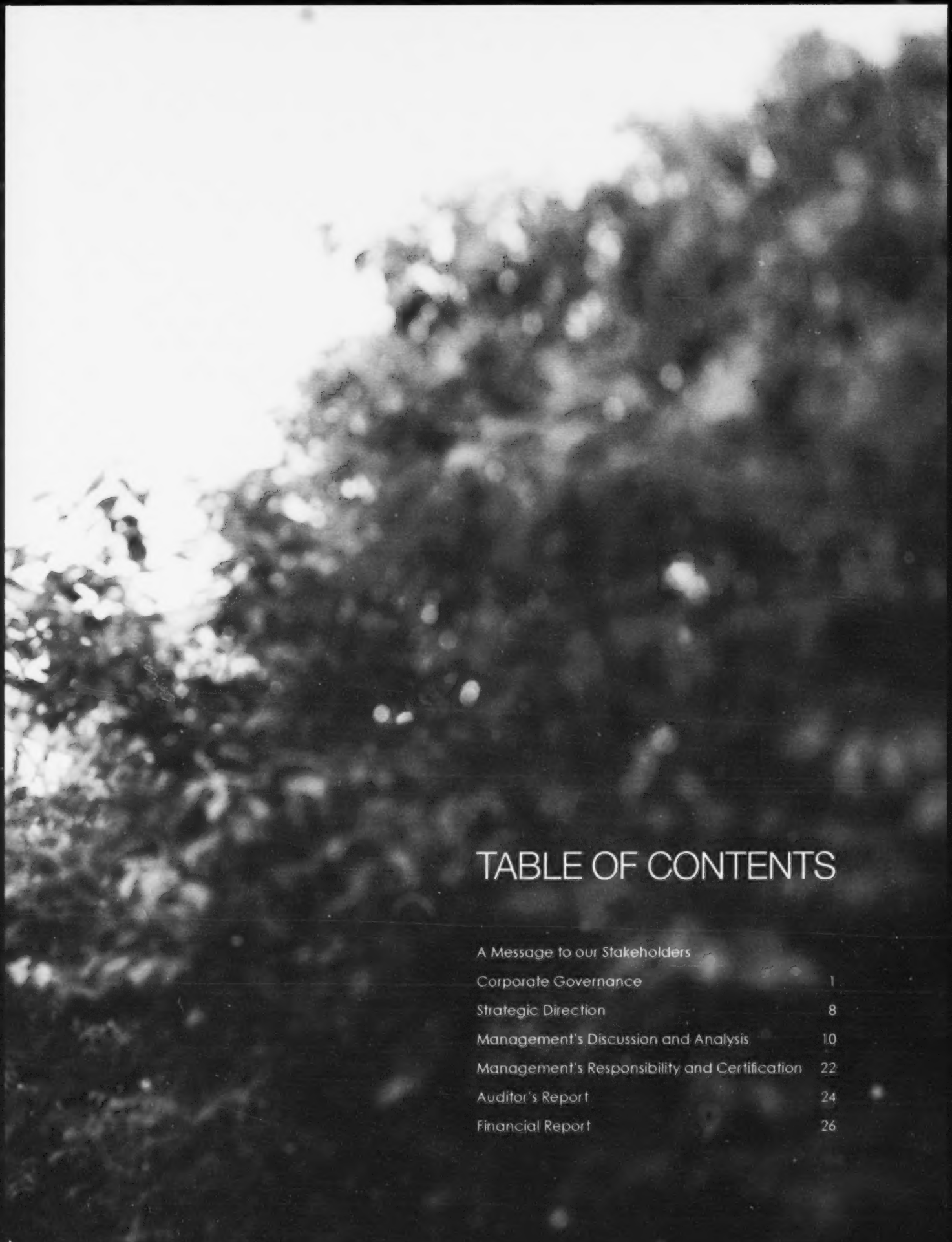


TABLE OF CONTENTS

A Message to our Stakeholders

Corporate Governance 1

Strategic Direction 8

Management's Discussion and Analysis 10

Management's Responsibility and Certification 22

Auditor's Report 24

Financial Report 26

A MESSAGE TO OUR STAKEHOLDERS

Technology parks exist to encourage interaction between people with a common interest in innovation. One of the most productive forms of this interaction is the mentoring that people with experience can provide to those starting new technology businesses. Having a diverse mix of tenants that includes mature companies that have gone through the process of building a company, together with those new entrepreneurs that are just beginning that journey ensures those mentoring opportunities can take place. This access to mature, experienced business mentors has had impressive results over the years. At present Innovation Place leases space to well over one hundred private companies; more than half of those companies started their businesses in Innovation Place facilities. In 2012 nine new companies began their operations in Innovation Place.

Many of the companies that began their business in Innovation Place were recognized for achievements during the past year either with awards or significant corporate milestones. Phenomenome Discoveries Inc. registered its first diagnostic cancer tool in Canada, COLOGIC. This simple blood test detects risk for colon cancer at a very early stage. This test will lead to early detection and treatment that will save lives in Canada and around the world.

Renterra was honored by inclusion in the 2012 Global Entrepreneurship Week 50, one of just three Canadian companies recognized with this award for start-up innovation. Renterra was also the winner of the 2012 Wilson Centre i3 Ideas Challenge and the 2012 University of Saskatchewan Industry Liaison Office Tech Venture Challenge winner. Kijenga was a runner up in the 2012 SREDA / RROC Progress2Capital competition. TinyEYE Therapy Services won the 2012 World Information Technology and Services Alliance (WITSA) Global IT award for Private Sector Excellence. Contango Strategies won the Saskatchewan Chamber ABEX Awards New Venture Award. Gas Buddy was one of Time Magazine's Top 50 Apps of 2012. As these companies grow and mature they will become the mentors for those that come after them.

Innovation Place itself had its share of success in 2012. The Canadian Green Building Alliance bestowed a LEED Gold certification on 121 Research Drive in Saskatoon, one of only three buildings in Saskatchewan to receive this designation. Two Innovation Place buildings were certified BOMA BESt Level 4 by the Building Owners and Managers Association of Canada. Only 2% of the buildings in Canada have received this top designation for sustainable operation and these two buildings are the only two in Saskatchewan to reach this level. Innovation Place was once again awarded top employer status by the Best Small and Medium Employer survey undertaken by Queens University and Hewitt and Associates with employee engagement levels of 83%.

We would like to thank the efforts of all our employees, the guidance from our Board of Directors and the support of Minister Donna Harpauer and the Government of Saskatchewan for creating another successful year for our company and our tenants.

Arlene Wiks
Chair of the Board

Douglas Tastad
President and Chief Executive Officer

CORPORATE GOVERNANCE

Board of Directors

Arlene Wiks
Chair

Arlene Wiks is recently retired from CIBC where she spent 35 years in a variety of roles. At retirement she held the position of Associate Vice President, Small Business and Retail Banking responsible for branches in Regina and Saskatoon. Arlene holds a Certified Financial Planner Designation from the Canadian Institute of Financial Planners as well as an Administration Certificate from the University of Saskatchewan. Arlene has served on several boards over the years including Director of the Saskatoon and District Chamber of Commerce, Royal University Hospital Foundation and Junior Achievement. Arlene has successfully completed the Directors College accredited corporate director development program and holds a Chartered Director designation.

Mark Regier
Vice Chair and
Chair, Audit & Finance Committee

Mark Regier has been with Saskatoon Prairieland Park Corporation for the past 22 years, 6 years as Controller and 16 years as Chief Executive Officer. He has received a Certified Fair Executive Designation from the International Association of Fairs & Exhibitions for his work in the fair industry. Mark is past President of the Canadian Association of Fairs & Exhibitions and past Chair of Tourism Saskatoon. He holds a Bachelor of Commerce degree from the University of Saskatchewan and is a Certified Management Accountant (CMA). Mark has successfully completed the Directors College accredited corporate director development program and holds a Chartered Director designation.

John Schmeiser
Chair, Human Resources & Governance Committee

John Schmeiser is the Executive Vice President and Chief Executive Officer of the Canada West Equipment Dealers Association, a role that he has held since 1996. John also serves as the Vice President of Canadian Government Affairs for the North American Equipment Dealers Association. He has been the Treasurer of the Canada Equipment Dealers Foundation since 1998, is the Chair of the Finance Committee for the Olds College Centennial Governance Board and is a Director of IRON Inc. He is Past Chairman of the Board for IRON Solutions L.L.C. and Past President of the North American Equipment Association Executives. John is a graduate of the University of Saskatchewan, the University of Arizona and Western Academy Broadcasting College. John has successfully completed the Directors College accredited corporate director development program and holds a Chartered Director designation.

Shauna Fjaagesund

Shauna Fjaagesund is a self employed entrepreneur from southwest Saskatchewan. She recently finished her term as the President of the Swift Current & District Chamber of Commerce. Shauna owns and manages residential housing and commercial farmland properties and has prior experience as a financial consultant, small business owner and biotech laboratory worker. Shauna has successfully completed the Directors College accredited corporate director development program and holds a Chartered Director designation.

Dr. Richard Florizone

Dr. Richard Florizone is the Vice President of Finance and Resources at the University of Saskatchewan. Originally from Prince Albert, Richard is a graduate of the University of Saskatchewan in Engineering and Physics and holds a Ph.D. in Nuclear Physics from the Massachusetts Institute of Technology. His previous work experience includes positions as a Director of Strategy for Bombardier Aerospace, Consultant and Project Leader for The Boston Consulting Group, and Senior Corporate Liaison Officer and Fundraising Consultant for Cambridge University. Richard has served on several boards over the years including the Canadian Light Source and the Waterloo Institute for Nanotechnology. In October 2008 he was asked by the Government of Saskatchewan to chair the Uranium Development Partnership.

David Button

David Button is the Vice President of Administration and Chief Financial Officer at the University of Regina. He is responsible for University logistics including Human Resources, Information Services, Risk Management, Ancillary Services, Financial Services, Resource Planning, Security and Facilities Management. David is a Professional Engineer, Planner and Project Management Professional. He has been at the University of Regina for 17 years; prior to that retired from the Military as a Lieutenant Colonel after almost 22 years of service as a Military Engineer. David is also Secretary/Treasurer and member of the Board of the Canadian Association of University Business Officers; Past-President and Board member of the Rocky Mountain Region of the Association of Higher Education Facilities Officers, a member of the International APPA Board (Washington, DC) and the Educational Facilities Professional Certification Board (Washington, DC). He is a past board member for Wascana Centre Authority.

Tanya Thome
Secretary to the Board of Directors

Corporate Officers

Douglas Tastad
President and Chief Executive Officer

Douglas Tastad has held the position of President and Chief Executive Officer for Innovation Place since 2002. He has over 33 years experience with Innovation Place and was part of the management team in 1979 during the inception of the Saskatoon campus. He is currently Chair of the Meewasin Development Review Committee. Douglas has served on various business and community boards, including Saskatchewan Advanced Technology Association, Saskatchewan Association of Architects (community representative), University of Saskatchewan Technologies Inc. (UST) and the BIOTECanada Finance Committee. Douglas is an Honorary member of the Saskatchewan Association of Landscape Architects.

Charlene Callander
Vice President and Chief Financial Officer

Charlene Callander has held the position of Vice President and Chief Financial Officer for Innovation Place since 2006. Charlene joined Innovation Place in 2001 as the Corporate Comptroller; she was promoted to Executive Director, Accounting and Administration in 2003. Prior to joining Innovation Place, Charlene worked for the Provincial Auditor of Saskatchewan and worked as Assistant Director of the Integrated Financial Services Unit at Saskatchewan Health. An active member of her community, Charlene serves on the Board of the Saskatchewan Volleyball Association as President. She holds a Bachelor of Administration designation from the University of Regina and is a Chartered Accountant.

Ken Loeppky
Vice President and Chief Operating Officer

Ken Loeppky has held the position of Vice President and Chief Operating Officer for Innovation Place since 2008. Ken joined Innovation Place in 2000 as the General Manager of the Regina park. Ken has held executive board of director roles in the past with provincial, national and international real estate associations and recently received the BOMA Regina President's award for his contribution to that organization. Ken is actively involved with the Real Estate Institute of Canada (REIC) on the Bylaws Committee, is a reserve member of the Professional Standards Committee and was recently recruited to join the Editorial Advisory Board of the Journal of Property Management. Ken has volunteered at many levels in the local community; currently volunteering for Baseball Regina and the Kidney Foundation.

Austin Beggs
Vice President, Corporate Relations

Austin Beggs retired as Vice President, Corporate Relations for Innovation Place in August 2012, a position he held since 2008. Austin joined Innovation Place in 1980 and held a variety of positions related to marketing, development and communications; he served as the first General Manager of the park in Regina. Austin is a past President of the Association of University Research Parks (AURP) and a past member of the International Association of Science Parks (IASP).

Authority

Saskatchewan Opportunities Corporation (SOCO or the Corporation) is a Crown corporation governed by *The Saskatchewan Opportunities Corporation Act*, and subject to the provisions of *The Crown Investments Corporation Act, 1993*. The Crown Investments Corporation (CIC) oversees and manages a governance framework for SOCO that provides strategic direction and performance management and financial reporting. SOCO conducts its business under the operating name of Innovation Place.

Through the Chair, who is an independent director, the SOCO Board of Directors is accountable to the Minister Responsible for SOCO. The Minister functions as the key communications link between SOCO, CIC, Cabinet, the Legislature and the public.

Corporate Governance Practices

Crown Investments Corporation Chairs Forum has requested that Saskatchewan Crown corporations use the Canadian Securities Administrators (CSA) Corporate Governance Guidelines and Governance Disclosure Rules to standardize the reporting and benchmarking of governance practices. The CSA guidelines have superseded the Toronto Stock Exchange guidelines previously used.

Independence

The matter of "independence from management" is based upon the definition set by the Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the directors have worked with or for SOCO, or have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as directors and committee members or as directors of subsidiaries of the Corporation. While having no personal connections to SOCO, Mr. Button and Dr. Florizone are employed by the province's two universities, both of which have land leases with SOCO and at times are involved in other business arrangements with SOCO. Whenever issues concerning the universities arise in Board meetings, both members declare their potential conflicts and absent themselves if the Board judges a conflict to exist.

A standing agenda item for each Board and Committee meeting is a declaration of conflict of interest and an in-camera session without management present.

Key Accountabilities

The Board has a written Terms of Reference* that outlines the Board's principal duties and responsibilities, including the responsibility to function as stewards of the Corporation and to oversee the management of the affairs and business of the Corporation.

The Board discharges its responsibilities by delegation to management and through committees of the Board. The Board focuses on the strategic leadership of the Corporation while day to day operations are delegated to management, who is then held accountable for the Corporation's performance.

The Board has two committees: the Audit and Finance Committee and the Human Resources and Governance Committee. Both committees have written Terms of Reference* and have access to outside professional advisors if necessary.

Audit and Finance Committee

Members:

Mark Regier, Chair
Arlene Wiks
Dr. Richard Florizone
David Button

The Audit and Finance Committee is responsible for ensuring the adequacy and effectiveness of financial reporting by reviewing and recommending approval by the Board of all policies and procedures regarding SOCO's financial reporting, internal accounting, internal controls, management information, risk management and the internal and external audit.

* The following documents are available on the SOCO website at www.soco.sk.ca:
  - Board of Directors Terms of Reference
  - Human Resources and Governance Committee Terms of Reference
  - Audit and Finance Committee Terms of Reference

Human Resources and Governance Committee

Members:

John Schmeiser, Chair
Arlene Wiks
Mark Regier
Shauna Fjaagesund

The Human Resources and Governance Committee is responsible for overseeing SOCO's human resource and governance processes and the quality of its corporate governance and reporting to the Board. The Committee undertakes deliberative and policy work on behalf of the Board and recommends decisions on all aspects of governance to the Board, when these decisions exceed delegated authority levels of management.

Board Appointments

The Lieutenant Governor in Council appoints members of the Board and designates the Chair. Directors are appointed for a fixed term and their appointments can be renewed at expiry. Appointments are governed by the CIC Board of Directors Appointment Policy, which ensures adherence to the principles of objectivity, inclusivity, transparency and consistency.

The Board, through the Human Resources and Governance Committee, annually reviews the composition and skill sets of directors to maintain an appropriate mix of expertise, experience and diversity on the Board to support the strategic direction of the Corporation.

Conflict of Interest / Code of Conduct

Board members must comply with the CIC Directors' Code of Conduct** that was developed by CIC and applies to the directors of all its subsidiary Crown boards.

Officers and employees of the Corporation must comply with SOCO's Code of Conduct, which includes a conflict of interest and a whistleblowing policy. All employees, including Corporate Officers, are required to annually sign a declaration of compliance with key policy and procedure guidelines.

Orientation and Continuing Education

Management provides a comprehensive reference manual to each Board member and provides new members with an orientation session detailing the nature of SOCO's business. Management provides the directors with information sessions on technical aspects of the Corporation's business. The Board also participates in annual strategic planning sessions.

CIC provides annual professional development opportunities for directors of CIC subsidiary Crown boards, which focuses on the key roles and responsibilities of boards and best practices in corporate governance.

** A copy of the Directors' Code of Conduct can be obtained by contacting Crown Investments Corporation.

Board of Directors Meetings

There were four regular Board meetings held in 2012. Documentation and information for discussion and decisions at the meetings is provided by Management to the Board at least seven days in advance of each meeting.

Attendance

March 16	May 11	August 18	November 7	
●	●	●	●	Arlene Wiks, Chair
○	●	●	●	Mark Regier
●	●	●	●	John Schmeiser
●	●	●	●	Shauna Fjaagesund
●	●	●	○	Richard Florizone
●	●	●	●	David Button

Board Remuneration

The Remuneration Schedule and Expense Guidelines for the Board of Directors are approved by the Crown Management Board and set out as follows:

Chair Retainer
$10,000

Member Retainer
$7,000

Chair Meeting Fee
$600

Committee Chair Meeting Fee
$550

Member Meeting Fee
$500

Total remuneration paid to the Board of Directors in 2012 was $90,561.

Management Remuneration

The Corporate Officers are compensated in accordance with CIC's Crown Executive Compensation Policy, Procedures and Guidelines.

The Crown sector is committed to a "total compensation" perspective, which includes a base salary, benefits and pension, and a short term incentive bonus. The short term incentive payments are based on performance objectives approved by the Board of Directors. These performance objectives are a combination of Corporate objectives and personal objectives. Corporate objectives represent 75% of the available incentive payments for Vice Presidents and 85% for the President.

In 2012 the total compensation paid to the Corporate Officers was $689,375.

STRATEGIC DIRECTION

Crown Investments Corporation has provided all Crown corporations with an outline of the government's policy objectives and priorities. It has also set out the mandated categories for each corporation's balanced scorecard. The Board has provided further direction to management through their approval of a corporate vision, values and broad goals specific to SOCO. The Business Strategy contained in this document is subject to annual review and monitoring by the SOCO Board.

Mission

To support the growth and success of the Saskatchewan technology sector through the development and operation of research parks.

SOCO's mission affects the Corporation's future in the following way:

- To compete internationally, Saskatchewan companies and institutions need research infrastructure equal in quality to their competitors and an attractive work environment that supports their recruitment and marketing efforts.

Vision

Saskatchewan's technology parks will be the best in the world.

Tenants of the parks compete in a world wide marketplace for employees, investors and clients. To adequately support them, Innovation Place must be prepared to compete with the best alternative locations throughout the world.

The Corporation's vision is intended to inspire its employees towards excellence in their everyday work and it is intended to act as a lens through which they make decisions. The vision affects every part of the Corporation's operations, administration and development.

Values

Innovation Place fully subscribes to the mandated Crown sector values of honesty, integrity, fairness and respect, and social and environmental responsibility. In addition, the following values have naturally grown within Innovation Place and differentiate us from others in our industry:

Innovation

Leadership in the introduction of new solutions in design, operations and sustainability.

Collaboration

Open and accountable in all our partnerships.

Excellence

The pursuit of quality beyond competence and efficiency to create an attractive and livable work environment for our clients.

Balanced Scorecard

Crown Investments Corporation provides all Crown corporations with clear direction for establishing long term planning. Corporate objectives, measures and targets are established for the required categories of Public Purpose, Stakeholders, Financial and Innovation. The Balanced Scorecard is used to measure and report performance and results for these goals.

Public Purpose

Grow Saskatchewan's technology sector by contributing to the growth of the parks' clients, supporting the establishment of new technology companies and attracting new science and technology activity to the province.

Objective	Job Creation
Measure	1. Employment growth within Innovation Place
	2. Independent analysis of the economic impact of Innovation Place clients
	3. Number of clients locating from outside the province
	4. Number of new start-up companies locating at Innovation Place

Stakeholders

Make it easy for all stakeholders to successfully accomplish their objectives in an environment of fairness, transparency and well being.

Objective	Support from Ownership
Measure	5. Percentage of general public aware of and have a positive opinion of Innovation Place

Objective	Client Satisfaction
Measure	6. Percentage of CEOs that would recommend Innovation Place to another organization

Objective	Productive Workforce
Measure	7. Percentage of employees fully engaged in their work
	8. Average number of training days per employee

Financial

Maintain profitability at a level that supports the success of our parks by prudently managing expenditures and enhancing revenues while providing superior value to our clients.

Objective	Return on Investment
Measure	9. Cash return as a percentage of cost of assets
	10. Vacancy as a percentage of total space inventory

Objective	Sustainable Financial Position
Measure	11. Debt as compared to equity

Objective	Operating Efficiency
Measure	12 Corporate Administration as a percentage of revenue
	13. Building operating cash flow per square foot

Innovation

Through our efforts and by the example we set, enhance the performance of our industry, our environment and the people we serve.

Objective	Sustainability
Measure	14. Attain 'BOMA BEST' average points per building

Objective	Social Responsibility
Measure	15. Sponsorships as a percentage of net income

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following management discussion and analysis for Saskatchewan Opportunities Corporation should be read in conjunction with the audited consolidated financial statements and notes to those statements for the year ended December 31, 2012. What follows will provide the context within which the Corporation's financial statements should be analyzed.

Forward Looking Information

This discussion includes forward looking statements about SOCO's corporate direction and financial objectives. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

Corporate Overview

SOCO operates under the business name Innovation Place. The corporate mission is to support the growth and success of Saskatchewan's technology sector. Innovation Place fulfills this mission through the development and operation of technology parks on the campuses of the province's two universities in Saskatoon and Regina, as well as a forest sector building in downtown Prince Albert.

The Saskatoon campus began operations in 1980 and presently is home to 138 tenants that occupy approximately 1.2 million square feet in 17 separate buildings. The Regina campus, opened in 2000, consists of 5 buildings housing 35 tenants and totaling approximately 480,000 square feet. The building in Prince Albert, opened in 2004, is 90,000 square feet and accommodates 20 tenants. The number of people working in Innovation Place facilities totals more than 5,400, spread proportionately through the three locations.

Core Business

Innovation Place manages specialized buildings primarily for technology companies and the service organizations that support them. Building specialization includes research greenhouses, laboratory buildings and industrial pilot plants. Specialized infrastructure includes laboratory utilities such as pure water and steam, process utilities such as high pressure steam and chilled water as well as a high performance data network.

Revenue is generated from leasing space in these buildings to a wide range of tenants that support each other's success. A typical lease arrangement would include a five year term with fixed revenue, adjusted annually for any increase in operating costs. Historic vacancy within buildings is approximately five percent. Major categories of operating costs include utilities, municipal property taxes, building and grounds maintenance and corporate administration. In general, both revenue and expenses are not subject to rapid change. Profitability is tightly linked to local real estate market conditions.

Bio Processing Centre

Innovation Place operates the Bio Processing Centre, a contract processing centre in Saskatoon. It extracts high value compounds from plant material, primarily for cosmetic and specialized food purposes. Since 2000, approximately 20 Saskatchewan companies have used the Bio Processing Centre for their processing requirements as have a similar number from outside the province.

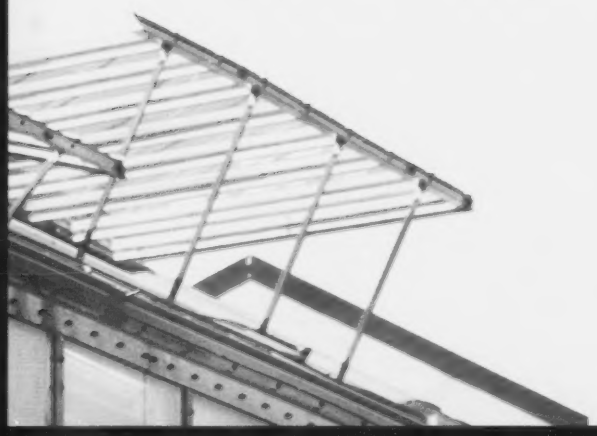
Organization

The Corporation is organized into two divisions, Finance and Administration and Research Park Operations.

The Finance and Administration division is responsible for risk management, financial reporting and accounting as well as information technology and human resource management.

The Research Park Operations division includes four departments: Technical Operations, responsible for maintenance of buildings, the delivery of certain technical services to tenants and the operation of a central heating and cooling plant in Saskatoon; Marketing, responsible for long term market development and leasing; Property Management, responsible for tenant relations and lease administration; and Project Management, responsible for the management of construction projects.

Boffins Food Services, the Bio Processing Centre and the Brand Management department report directly to the President's office.



Strategy

A diverse mix of technology and service tenants, a dynamic social atmosphere and high quality facilities work together to create a community that encourages interaction, collaboration and success. Tenant diversity is achieved by bringing together private and public, large and small, local and international organizations. An appropriate tenant mix is ensured by the approval process for prospective tenants. The Regina and Saskatoon parks each have an independent committee comprised of representatives from the local business community, university and municipal government; these committees review and approve all tenants that locate within park facilities.

The primary target for tenants is Saskatchewan based, private technology companies. These companies are judged by management to have the greatest opportunity for employment growth and will display the strongest ongoing loyalty to Innovation Place and the province. Secondary targets include business and technical service organizations, research institutes and national and international technology companies.

The interaction of clients, important for productive collaboration, is enabled through active programming including the organization of social events, business seminars, sports leagues and tournaments. Fitness facilities, games rooms, yoga and pilates classes all contribute to interaction. Buildings and grounds offer multiple opportunities for informal interaction.

Innovation Place provides its clients with a superior working environment that contributes directly to their productivity. A long term commitment to sustainable buildings provides tenants with superior air quality, low levels of off-gassing from building materials and enhanced access to daylight. The quality of the environment is not only intended to enhance operating efficiency and tenant innovation but to assist tenants in employee recruitment and corporate marketing. Beautifully landscaped grounds, large attractive public spaces in buildings and a wide variety of amenities create an appealing setting for tenant's employees, clients and investors.

Marketing objectives are somewhat non traditional due to the fact that a client's potential for future growth is as important as their present size. The impact they will have on attracting other clients can be critical. Potential clients that are not interested in locating in the parks immediately, but may be in the future, are also important.

Marketing strategy is primarily based on the quality of the environment available to tenants and the reputation of the parks locally and internationally. A commitment to sustainable development evidenced by Leadership in Energy and Environmental Design® (LEED) certification of buildings and BOMA BESt certification of building operations contributes to that reputation. Active participation in industry associations and the resulting recognition add credibility to the Innovation Place brand. Traditional advertising and promotion are not used to market the parks. Relationships with provincial and municipal economic development agencies extend the marketing reach of the parks beyond the borders of the province. Park tenants are used as ambassadors for the parks to capitalize on their international science contacts.

Innovation Place gathers feedback from clients, both CEOs and general tenant population. The CEOs and general tenant population are invited to participate in annual customer satisfaction surveys. Innovation Place also annually surveys the Saskatchewan general population to determine brand recognition and support. The results of these communications guide management planning.

Keys to Success

Client Satisfaction

Historically the majority of demand for space has come from the growth of existing clients. Client satisfaction is therefore a key indicator of future demand. Considering the valuable role existing clients have in assisting Innovation Place attract new tenants, client satisfaction becomes doubly important. Client satisfaction is substantially impacted by the performance of the employees of Innovation Place.

Demand

The mission for Innovation Place is to support the growth of the technology sector through the development and operation of the province's technology parks. The single biggest key to success in meeting that mission is the level of demand for space from existing and new tenants. When demand exists it validates the operational and marketing strategies employed by Innovation Place.

Encouraging and Supporting New Companies

Providing a good first home for start-up companies is critical to the future success of those companies, the parks and the province. There are presently more than 100 private companies in Innovation Place facilities. More than half of these tenants started their businesses in Innovation Place.

Attraction of Companies from Outside Saskatchewan

Attracting companies to Saskatchewan from other jurisdictions can contribute substantial new economic activity to the province. Approximately 25% of Innovation Place clients have head offices outside of Saskatchewan. Proactive marketing to this potential market would be expensive with little guarantee of success. Past success has generally been a result of the reputation of Innovation Place, pointing out the importance of maintaining and enhancing that image as a high quality and progressive location for technology companies.

Rental Rates

The primary components of financial performance in the core business of Innovation Place are rental rates, operating costs in buildings and vacancy levels. Rental rates are impacted by broader market conditions in the cities of Prince Albert, Saskatoon and Regina as well as demand for space in the parks themselves.

Utilization of the Bio Processing Centre

The Bio Processing Centre has fundamentally different financial dynamics than real estate as contracts are measured in terms of days rather than years and the industry is subject to substantial fluctuations based on changing markets for the processed products. Fluctuations also occur due to the relatively early stage of business maturity typical of most Bio Processing Centre clients. As most expenses are fixed, financial performance is greatly affected by the utilization rate of the Bio Processing Centre and the margins of each process.

Capability to Deliver Success

Rental Space Inventory

At year end the overall vacancy level for Innovation Place facilities stood at 2.38%. With success defined as accommodating the growth of employees in the parks, the capability to be successful in the short to medium term could be affected by issues relating to space utilization.

Management will continue to evaluate all means by which Innovation Place can support the success of existing and appropriate future clients.

Financial

Based on current performance Innovation Place has the financial resources to meet all the capital investment requirements to maintain existing buildings at their present high level of quality. The financial resources are also available to support the leasing of the remaining vacant space.

Human Resources

At the present level, Innovation Place employees have the capacity to manage all of the operating and development requirements of the company. Executive management is experienced with the four officers of the company averaging 20 years experience with Innovation Place. The average age of employees, however, is younger than the general workforce in Saskatchewan. There is relatively even distribution of ages throughout the corporation.

Senior leaders in the technical areas of Finance and Administration, the Bio Processing Centre and the Project Management department have appropriate professional designations. Most operating employees in the technical areas have trade certification or equivalent. Property Management employees either have national industry designations (CPM and RPA) or are enrolled in the designation training program.

Employees have been active in industry associations serving at various times as president of the Association of University Research Parks (AURP) international board, member of the Canadian board of AURP, president of the Building Owners and Managers Association (BOMA) Canada, member of the BOMA international board, member of the Saskatchewan Association of Architects Council, and president of the Real Estate Institute of Saskatchewan.

Innovation Place employees all work within a strong and supportive policy framework that includes, among others, policies on Code of Conduct, Conflict of Interest, Whistleblower, Non Disclosure and Harassment.

Technical Resources

Financial and operating computer and software systems have the capacity to meet foreseeable growth. Business system hardware and software and park network hardware and software are upgraded on a regular basis. All building management and control systems are monitored 24 hours a day by Innovation Place employees. These state of the art systems ensure employee comfort while maximizing the efficient operation of buildings. Building security systems are also monitored 24 hours a day by Innovation Place employees. All tenant suites and building exteriors are monitored by the electronic security system at all three locations. The security system includes video camera monitoring of key locations.

Results

Public Purpose

Job Creation

1. Employment growth within Innovation Place

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
100	313	(82)	132	63

2. Independent analysis of the economic impact of Innovation Place clients

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
$961M	$1.170.23M	$939M	$962M	$973M

3. Number of clients locating from outside the province

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
3	4	3	3	3

4. Number of new start-up companies locating at Innovation Place

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
6	9	6	6	6

Growth in the number of employees in Innovation Place facilities exceeded expectations in 2012. A reduction in vacancy combined with a better utilization of space by tenants accounted for the results.

Economic impact is measured by an annual survey of clients that relies on a reporting of local purchases and net payroll. An analysis of the dramatic increase in impact from 2011 showed that a number of tenants with high purchases and payroll per employee failed to participate in the 2011 survey but did participate in the 2012 survey.

Thirteen clients established new Saskatchewan businesses during the year; four moving from outside the province and nine establishing new businesses. Management believes the strong Saskatchewan economy contributed to the better than projected results.

Stakeholders

Support from Ownership

5. Percentage of general public aware of and have a positive opinion of Innovation Place

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
98%	98.95%	98%	98%	98%

Support from the general public is an important leading indicator of shareholder support. As a provincial Crown corporation, Innovation Place is accountable to all residents of the province. This measure is based on a survey of the general provincial population. Respondents are first asked if they are aware of Innovation Place, then if they have a positive or negative opinion. They are given the option of saying they have no opinion. The positive opinions are then compared to the negative opinions. Of those that were aware of Innovation Place and had an opinion almost all had a positive opinion (98.95%).

Client Satisfaction

6. Percentage of CEOs that would recommend Innovation Place to another organization

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
98%	98.54%	98%	98%	98%

Client satisfaction remains high at over 98%. To establish satisfaction levels client CEOs are asked if they would recommend Innovation Place as a location to colleague companies. This high rating reflects both the quality of facilities and the quality of operations. Specific examples include the timeliness of maintenance response, the availability of specialized services on site, the specialized nature of the facilities and the active social environment. The attractiveness of the physical environment and the park amenities also contribute to client satisfaction by assisting client's marketing and recruitment efforts. The near perfect rating is gratifying to management considering it comes during a period of fairly rapid increases in rental rates.

Productive Workforce

7. Percentage of employees fully engaged in their work

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
75%	83%	80%	80%	80%

8. Average training days per employee

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
5	5.31	5	5	5

Innovation Place employees are obviously a key stakeholder for the Corporation. Employee engagement remained constant at 83% which reflects the continued commitment management has to the well being of their employees. The 83% engagement level places Innovation Place in the top 50 small and medium employers in Canada.

Financial

Innovation Place had a good year financially with cash generated by operations of $13.7 million, net income of $4.3 million and a cash return of 5.45%. Core real estate operations remain strong with $10.9 million of net income being generated. Operating cash flow of $13.7 million provided sufficient cash resources for the $8.9 million of capital investment during the year while also meeting debt servicing and dividend requirements. The $36.7 million of debt outstanding at the end of the year was unchanged from the prior year.

Comparison of 2012 Results with 2011 Results

	2012 Actual	2011 Actual	Variance
Revenue	$40.8M	$39.7M	$1.1M
Expenses	$35.0M	$33.5M	$1.5M
Net Finance Expense	$1.5M	$1.5M	$0.0M
Net Income	$4.3M	$4.6M	($0.3M)
Total Assets	$193.0M	$191.0M	$2.0M
Total Debt	$36.7M	$36.7M	$0.0M
Operating Cash Flow	$13.7M	$12.9M	$0.8M
Total Capital Investment	$8.9M	$8.2M	$0.7M

Earnings of $4.3 million in 2012 decreased $0.3 million from 2011. This decrease can be mainly attributed to the increased amortization expense from the assets transferred to SOCO during 2011. Excluding the impact of increased amortization, earnings increased $1.8 million.

Overall revenue of $40.8 million is up $1.1 million from $39.7 million reported in 2011. The core rental operations remain strong with revenue increasing $1.0 million in 2012 due to increased rental rates and increases in related service revenue. Utilization at the Bio Processing Centre increased in 2012 resulting in a $0.2 million increase in revenue from 2011.

Expenses of $35 million increased $1.5 million from $33.5 million in 2011. Rental operations expense increased $1.3 million from the prior year. The $1.8 million increase in amortization expenses was partially offset by decreases in other operating expenses. Administration expenses and operating expenses for the Bio Processing Centre increased marginally from the prior year.

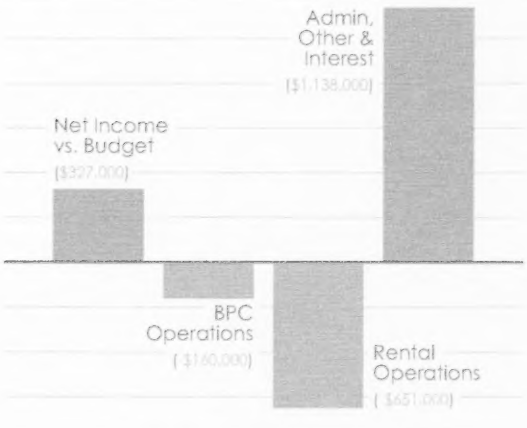
The continued focus of resources to maintain buildings and infrastructure led to an investment in capital assets of $8.9 million in 2012 increasing $0.7 million from 2011.

Total debt outstanding at year end was $36.7 million, unchanged from the prior year.

Comparison of 2012 Results with 2012 Budget

	2012 Actual	2012 Budget	Variance
Revenue	$40.8M	$41.9M	($1.1M)
Expenses	$35.0M	$36.3M	($1.3M)
Net Finance Expense	$1.5M	$1.7M	($0.2M)
Net Income	$4.3M	$3.9M	$0.4M
Total Assets	$193.0M	$198.8M	($5.8M)
Total Debt	$36.7M	$42.7M	($6.0M)
Operating Cash Flow	$13.7M	$12.8M	$0.9M
Total Capital Investment	$8.9M	$11.8M	($2.9M)

Chart: Variance to Budget by Category



Net income is $4.3 million represents a $0.4 million favourable variance from budget. Our core business of leasing of space, maintaining buildings and infrastructure, and providing a social environment for the science and technology sector was $0.7 below budget with a net income of $10.9 million. Due to the high demand for space and low vacancy rates, revenue budgets are comparable to actual results with the exception of recovery revenue which was lower due to lower recoverable building costs. Non recoverable building costs were higher than budget due mainly to amortization expense as certain adjustments were made to amortization assumptions during the year which were not budgeted.

Net results for the Bio Processing Centre (excluding related administrative expenses) were $0.2 million under budget for 2012. The $0.4 million unfavourable variance in revenue was due to changing needs and circumstances of clients.

The remaining revenue and administration expenses had a $1.1 million favourable variance compared to budget. The variance is due to a combination of lower staffing costs when compared to budget, due to vacant positions, and various administrative expenses coming in under budget.

The total investment in capital of $8.9 million was $2.9 million below budget due to less capital being required for tenant improvement projects.

The December 31, 2012 cash balance is $8.9 million, reflecting a $2.5 million increase from budget due primarily to cash at the beginning of the period being $3.0 million ahead of budget. Although cash from operating activities was $1.7 million higher than budgeted and cash used in investing activities was $2.7 million under budget, the impact was offset by the $2.1 million of dividends paid during the year, not budgeted, and net proceeds from notes payable being $2.9 million under budget.

Return on Investment

9. Cash return as a percentage of cost of assets

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
5.04%	5.45%	5.24%	5.18%	5.06%

10. Vacancy as a percentage of total space inventory

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
2.4%	2.38%	3.1%	2.0%	1.8%

Cash from operations as a percentage of the original cost of assets is used as the primary measurement of financial performance because it is not impacted by internal accounting or financing policies. It is also easily compared to other real estate companies. Cash from operations consists of earnings before interest and amortization.

Cash from operations for 2012 exceeded the budget target for the year by .41%. Vacancy levels continued to drop.

Sustainable Financial Position

11. Debt as compared to equity

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
18.97%	16.36%	18.05%	17.16%	16.60%

The debt to equity ratio for 2011 was lower than budgeted due to $6 million less in debt and a cash balance $2.5 million higher than budgeted.

Operating Efficiency

12. Corporate administration as a percentage of revenue

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
14.66%	12.80%	14.31%	14.41%	14.56%

13. Building operating cash flow per square foot

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
$11.53	$11.75	$13.46	$13.54	$13.65

Operating efficiency continues to improve as revenue increases at a faster pace than administrative expenses. The lower percentage in corporate administration as a percentage of revenue is due to administrative budgets being $895,000 lower than budgeted.

Innovation

Sustainability

14. Attain 'BOMA BESt' average points per building

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
839	841	842	842	842

The Building Owners and Managers Association of Canada (BOMA BESt) measures the sustainability of building operations including waste management, energy and water usage. Buildings are rated every three years providing management the incentive to continually look for improvements in sustainability. In 2012 two Innovation Place buildings were certified BOMA BESt Level 4. Only 2% of the buildings in Canada have received this top designation for sustainable operation and these two buildings are the only two in Saskatchewan to reach this level. The average rating of buildings in Innovation Place improved by 6 points to 841. Only approximately 20% of all buildings rated in Canada receive a rating above 800.

Social Responsibility

15. Sponsorships as a percentage of net income

2012 Target	2012 Actual	2013 Target	2014 Target	2015 Target
1.00%	2.05%	1.11%	1.00%	1.00%

Imagine Canada, a not for profit organization encouraging corporate responsibility, has set a rule of thumb of 1% of net profit as a reasonable investment for corporations in community development. Innovation Place generally follows this advice. All our community investment is intended to have some connection with our business strategy and corporate objective. Most initiatives encourage or support our diversity target groups with a particular emphasis on science and entrepreneurship. The high level of investment is due to this measure including business sponsorships with community donations. This practice will be changed in 2013.

Outlook

2013 Budget

Net Income	$4.3M
Total Assets	$192.7M
Total Debt	$36.7M
Operating Cash Flow	$13.7M
Total Capital Investment	$8.8M

From a financial perspective, the projected results for 2013 are comparable to the actual results for 2012. Although total revenue is projected to increase $1.3 million, total expenses are also projected to increase $1.3 million resulting in net income of $4.3 million, the same amount generated for 2012.

The $8.8 million capital budget for 2013 reflects managements continued focus on maintaining current buildings and infrastructure and does not include any new development.

In addition to the $2.1 million of debt servicing requirements, a $2.8 million dividend is budgeted for 2013. All investing and financing activities are expected to be sourced from operating cash flow, no new debt is budgeted for 2013.

Although vacancy is expected to remain low, slight increases are expected for 2013 resulting in decreases in total employees within Innovation Place and an increase in inventory to meet demand.

Management expects stakeholder satisfaction to remain stable as the parks are properly maintained and events are held to support the social atmosphere. The continued focus on employee training is expected to maintain high employee engagement.

Risk

Definition

Innovation Place considers risks as those factors that may inhibit the ability to meet the Corporate mission as measured by the strategic objectives outlined in our Performance Management Plan. These risk factors include utilization of the Bio Processing Centre, lack of available space, demand for space, occupancy levels in existing buildings, construction costs and interest rates.

Likelihood

Management has defined the likelihood of a risk event occurring as low (less than 25% likelihood), medium (between 25% and 75% likelihood) and high (greater than 75% likelihood).

Impact

Innovation Place has currently defined the impact of a risk event as follows:

Personal Property Damage or Liability

Minor	• First aid treatment • Loss of asset < $100K • Temporary environmental effect
Moderate	• Serious Injury • Loss of Asset(s) $100K to $1M • Some environmental damage
Severe	• Death • Loss of major asset > $1M • Serious environmental damage

Cost, Schedule or Operations Effects

Minor	• < $100K capital cost variance • < 3 months construction delay • Operating cash flow variance +/- < 5%
Moderate	• $100K to $250K capital cost variance • 3 to 6 months construction delay • Operating cash flow variance +/- > 5% and < 25%
Severe	• > $500K capital cost variance • > 6 months construction delay • Operating cash flow variance +/- > 25%

Performance of Reputational Loss

Minor	• Setback in building trust in client group • Some unfavourable media attention
Moderate	• Some loss of a client group trust • Negative media attention
Severe	• Failure of acceptance • Significant loss of client trust • Public outcry for resignation / policy change

Key Risk Factors Affecting Performance

Management has identified and discussed the top corporate risks with the Board. The primary risk of the Corporation is the potential that a lack of space will restrict the growth of existing tenants and the establishment of new tenants. As the likelihood and impact of this risk increases it directly affects our ability to fulfill our mission and potentially decreases the value of the parks by eroding existing clusters if key strategic clients exit the parks. Management is actively working to rationalize existing space and tenants to support the most important tenants. However, the speed to which some of the solutions can be implemented may be slow due to the length of existing tenant leases.

In the past, construction costs have represented a significant risk as the cost of new building is a significant component of how affordable and profitable the building will be. However, the hold on new building development has limited this risk to building renovations and therefore, provided management with the opportunity to focus on building maintenance. As such, the development of an asset management plan has identified the need for increased maintenance capital, to ensure existing assets extend their useful life and retain value to support lease rates, which will also be impacted by higher construction costs. As buildings age and the amount of maintenance increases this risk will become more of a concern and management will develop strategies to address maintenance plans and related costs.

Underutilization of the Bio Processing Centre also continues to be managed. The volatile demand for services and the fixed expenses results in fluctuating financial results. Management will continue to consider options to increase utilization and reduce expenses.

Enterprise Risk Management

Over the past few years management has developed a risk framework, provided risk management training, contracted with Deloitte & Touche LLP to assist in corporate risk identification and implemented risk management related systems and processes. During 2012, management continued to execute internal reviews to comply with CEO/CFO certifications and began documenting bottom up risks. In 2013, management will take the next step of refining our risk assessments and corresponding documentation. In addition, management will continue to evolve into a risk intelligent organization by participating in further training and discussion opportunities, as well as improving reporting.

Accountability and Controls

External Audit

The Corporation's annual financial statements are audited by an independent auditor. The external auditor is appointed by Order-in-Council, with the appointment typically reviewed every five years. Due to the implementation of International Financial Reporting Standards in 2011, and the timing of the RFP process in 2012, the term for the current external auditor, Deloitte & Touche LLP, was extended to seven years. Auditor appointments are currently under review for a five-year term that will commence in 2013.

The Provincial Auditor Act gives the Provincial Auditor the responsibility, authority and independence to audit and publicly report on all government organizations. As such, the external auditor coordinates the involvement of the Provincial Auditor in the Corporation's audit. The coordination of the audit is conducted in accordance with the recommendation of the Task Force on the Roles, Responsibilities and Duties of Auditors, which recommends various protocols.

Internal Audit

In June 2006, an internal audit function was established at Crown Investments Corporation to assist in providing an independent, objective view of the effectiveness of internal controls for Crown corporations who do not have the resources to support an internal audit department.

The internal audit employees are employed by Crown Investments Corporation and their offices are also located there. An Internal Audit Charter was presented to the Audit and Finance Committee and subsequently approved by the Board of Directors on August 27, 2008. The Charter outlines the purpose, authority, reporting structure and responsibilities of internal audit activity.

MANAGEMENT'S RESPONSIBILITY AND CERTIFICATION

The preparation and presentation of the accompanying consolidated financial statements of Saskatchewan Opportunities Corporation are the responsibility of and have been prepared by corporate management in accordance with International Financial Reporting Standards. These consolidated financial statements necessarily include amounts based on informed judgment and management's estimates. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting and has assessed the effectiveness of those controls as of December 31, 2012. Based on this evaluation management concludes the following:

I, Douglas Tastad, the Chief Executive Officer of Saskatchewan Opportunities Corporation, and I, Charlene Callander, the Chief Financial Officer of Saskatchewan Opportunities Corporation, certify:

- that we have reviewed the financial statements included in the Annual Report of Saskatchewan Opportunities Corporation. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial position, results of operations and cash flows, as of December 31, 2012;
- that based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of Saskatchewan Opportunities Corporation do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made;
- that Saskatchewan Opportunities Corporation is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and Saskatchewan Opportunities Corporation has designed internal controls over financial reporting that are appropriate to the circumstances of Saskatchewan Opportunities Corporation; and
- that Saskatchewan Opportunities Corporation conducted its assessment of the effectiveness of the Corporation's internal controls over financial reporting and, based on the results of this assessment, Saskatchewan Opportunities Corporation can provide reasonable assurance that internal controls over financial reporting as of December 31, 2012 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

The Corporation's independent auditor, Deloitte & Touche LLP, have been appointed external auditor by Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan. Deloitte & Touche LLP has examined the financial statements of Saskatchewan Opportunities Corporation. The scope of their examination and their opinion on whether these financial statements present fairly the financial position and operating results of Saskatchewan Opportunities Corporation are given in their Auditor's Report.

In an effort to discharge its statutory responsibilities which are outlined in *The Provincial Auditor Act*, the Provincial Auditor relies on the work of Deloitte and Touche LLP. The Provincial Auditor and Deloitte & Touche LLP work together at all stages of the audit. The Provincial Auditor is responsible to report to the Legislative Assembly an opinion on the effectiveness of internal controls, compliance with governing authorities and the reliability of the financial statements.

The Audit and Finance Committee, composed of members of the Board of Directors, meets periodically with the financial officers of the Corporation, the external auditor and the Provincial Auditor to discuss the audit plan, audit results and the opinion on the adequacy of the financial reporting, corresponding internal controls and compliance with governing authorities. Both Deloitte and Touche LLP and the Provincial Auditor have the opportunity to meet with the Audit and Finance Committee without management present. The Audit and Finance Committee has reviewed these financial statements with management and the auditor. The Audit and Finance Committee recommended the Board approve these financial statements. The Board of Directors has reviewed and approved these financial statements.

Douglas Tastad
President and Chief Executive Officer

Charlene Callander
Vice President and Chief Financial Officer

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Opportunities Corporation operating as Innovation Place, which comprise the consolidated statements of financial position as at December 31, 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

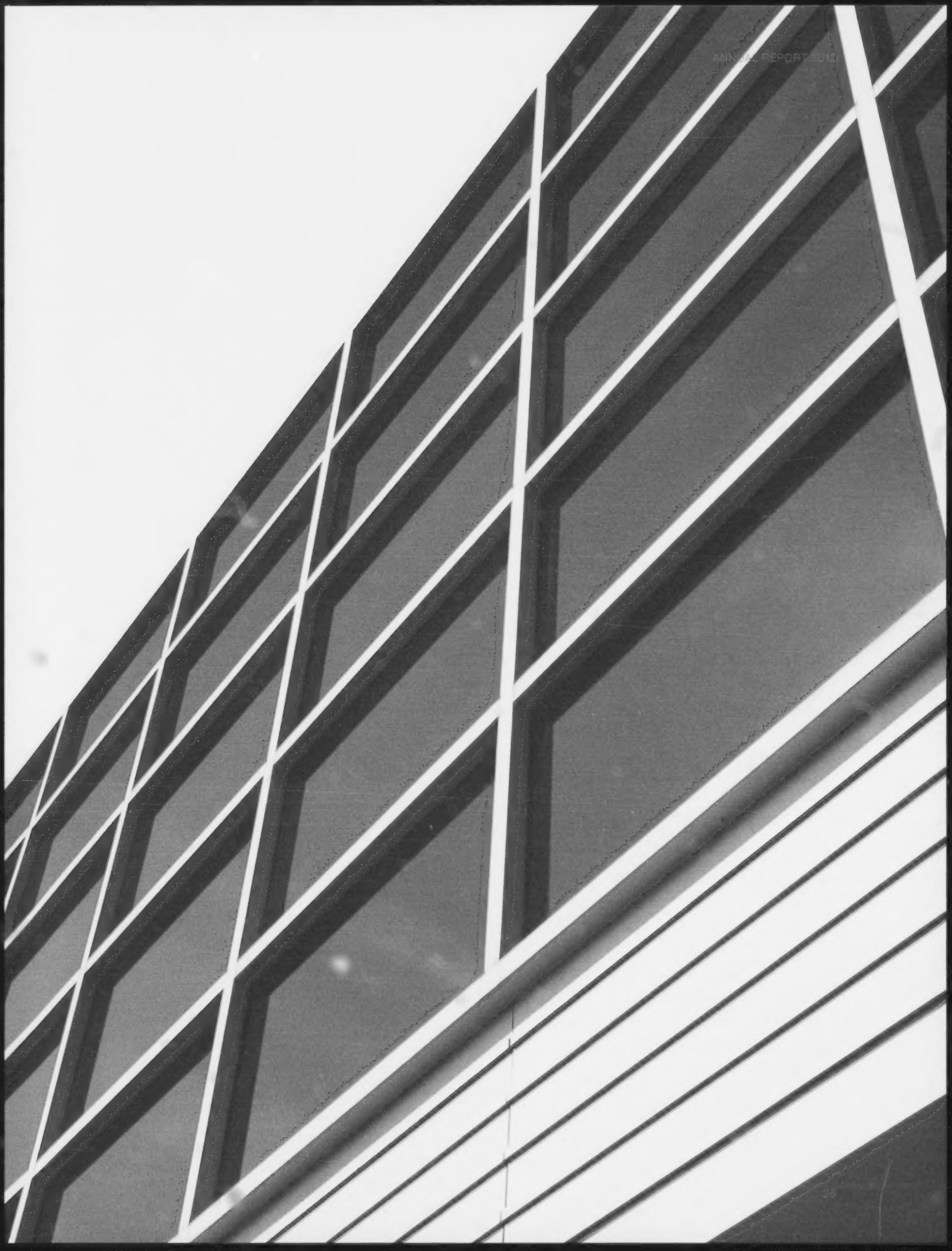
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Opportunities Corporation operating as Innovation Place as at December 31, 2012 and its subsidiaries and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
March 14, 2013
Regina, Saskatchewan



FINANCIAL REPORT

Consolidated Statement of Comprehensive Income

in thousands

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Revenue			
Rental		$ 38,762	$ 37,802
Bio Processing		1,754	1,509
Other		310	367
		40,826	39,678
Expenses			
Administration		5,335	5,268
Rental operations		27,900	26,565
Bio Processing operations		1,735	1,703
		34,970	33,536
Results before the following		5,856	6,142
Finance income	4	154	194
Finance expenses	4	(1,740)	(1,740)
Net Finance Income (Expense)		(1,586)	(1,546)
Net Income and Total Comprehensive Income		$ 4,270	$ 4,596

(see accompanying notes)

On behalf of the Board,

Mark Regier
Chair, Audit and Finance Committee

John Schmeiser
Director

Consolidated Statement of Financial Position

in thousands

	Note	At December 31, 2012	At December 31, 2011
Assets			
Current			
Cash and cash equivalents	5	$ 8,925	$ 7,849
Trade and other receivables	6	1,776	2,569
Inventory		166	226
Prepaid expenses		43	6
		10,910	10,650
Trade and other receivables	6	1,268	1,163
Property, plant and equipment	7	2,833	2,670
Investment property	8	175,694	174,789
Debt retirement fund	9	1,370	967
Other assets	10	962	775
		$ 193,037	$ 191,014
Liabilities and Province's Equity			
Current			
Trade and other payables	11, 12	$ 4,485	$ 4,814
Dividends payable		741	-
Deferred revenue		875	737
		6,101	5,551
Long term debt	13	36,684	36,684
		42,785	42,235
Province of Saskatchewan's Equity		29,565	28,092
Retained earnings		120,687	120,687
Equity advances	14	150,252	148,779
		$ 193,037	$ 191,014

(see accompanying notes)

Consolidated Statement of Changes in Equity

in thousands

	Equity Advances	Retained Earnings	Total Equity
Balance at December 31, 2010	$ -	$ 23,496	$ 23,496
Net income and total comprehensive income	-	4,596	4,596
Transfers	120,687	-	120,687
Balance at December 31, 2011	120,687	28,092	148,779
Net income and total comprehensive income	-	4,270	4,270
Dividends	-	(2,797)	(2,797)
Balance at December 31, 2012	$ 120,687	$ 29,565	$ 150,252

(see accompanying notes)

Consolidated Statement of Cash Flows

in thousands

	Note	Year ended December 31, 2012	Year ended December 31, 2011
Operating Activities			
Net income		$ 4,270	$ 4,596
Non-cash adjustments:			
Amortization of property, plant and equipment		439	432
Amortization of investment property		7,372	5,488
Gain on disposal of property, plant and equipment		-	(15)
Loss on disposal of investment property		-	123
Investment property impairment provision		-	691
Finance income	4	(154)	(194)
Finance expense	4	1,740	1,740
		13,667	12,861
Working capital adjustments:			
Trade and other receivables		688	1,016
Inventory		60	(20)
Prepaid expenses		(37)	(6)
Trade and other payables		(329)	556
Deferred revenue		138	(64)
Cash provided by operating activities		14,187	14,343
Investing Activities			
Purchase of property, plant and equipment		(602)	(397)
Purchase of investment property		(8,277)	(7,822)
Disposal of property, plant and equipment		-	51
Interest received		118	100
Increase in other assets		(187)	(394)
Cash used in investing activities		(8,948)	(8,462)
Financing Activities			
Debt retirement fund installments		(367)	(367)
Interest paid		(1,740)	(1,740)
Dividends paid		(2,056)	(2,250)
Cash used in financing activities		(4,163)	(4,357)
Net change in Cash and Cash Equivalents during the year		1,076	1,524
Cash and Cash Equivalents, beginning of year		7,849	6,325
Cash and Cash Equivalents, end of year		$ 8,925	$ 7,849

(see accompanying notes)

Notes to Consolidated Financial Statements
in thousands

1. General Information

Saskatchewan Opportunities Corporation (the "Corporation"), which operates under the brand name of Innovation Place, was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force in 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and has been designated a subsidiary of Crown Investments Corporation (CIC), a provincial Crown corporation. The financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is subject to neither federal nor provincial income tax.

The Corporation's mandate is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of technology parks.

The Corporation's head office is located at 114 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated statements were authorized for issue by the Board of Directors on March 14, 2013.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments designated as fair value through profit and loss which are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment, and investment property, and the underlying estimations of useful lives, capitalization of interest, disposal of long lived assets, asset retirement obligations, and labour and directly attributable overhead; provision for unpaid claims; the carrying amounts of accounts receivable, inventory and investments.

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in the consolidated financial statements include the accounting for special purpose entities and the determination of cash generating units.

e) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The following new and amended standards become effective for annual periods beginning on or after January 1, 2013.

IFRS 9, *Financial Instruments*
IFRS 10, *Consolidated Financial Statements*
IFRS 11, *Joint Arrangements*
IFRS 12, *Disclosure of Interests in Other Entities*
IFRS 13, *Fair Value Measurement*
IAS 19, *Employee Benefits*
IAS 27, *Separate Financial Statements*
IAS 28, *Investments in Associates and Joint Ventures*

The impact on adoption of these standards is not expected to be material.

3. Significant Accounting Policies

a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and 212822 Saskatchewan Ltd. (operating as Boffins) with all significant inter-company transactions and balances, revenues and expenses being eliminated. Boffins provides food and event services at the research park in Saskatoon.

As the Corporation has an obligation to absorb the expected losses of 212822 Saskatchewan Ltd., it falls under the classification of a Special Purpose Entity and is consolidated in the accounts of the Corporation.

Separate audited financial statements are prepared annually for 212822 Saskatchewan Ltd.

b) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, and short term investments with an original maturity of three months or less.

c) Inventories

Inventories consist of items held which will be used in the provision of services at the Bio Processing Centre and at the parks.

Inventories are costed using the weighted average cost method and are charged to expenses when utilized.

d) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes materials, services, direct labour and directly attributable overheads. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

When property, plant and equipment are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in profit or loss.

e) Investment property

Properties held for rental purposes are classified as investment properties and are measured at cost using the same policies as for property, plant and equipment.

f) Amortization

Amortization is recognized on a straight-line basis over the estimated useful life of each component of property plant and equipment and investment property. Amortization commences when the asset is ready for its intended use.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefit from these assets.

The estimated useful lives of major classes of property plant and equipment are:

Administration	3 – 10 years
Furniture and equipment	3 – 10 years
Processing facility	20 – 40 years

The estimated useful lives of major classes of investment property are:

Buildings	20 – 80 years
Infrastructure	25 – 60 years
Furniture and equipment	3 – 10 years
Leasehold improvements	lease term

g) Impairment of assets

At each reporting date, the Corporation reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. Cash generating units are the smallest group of assets that generates cash inflow from continuing use. Corporate assets are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the carrying amount of the asset or cash generating unit does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

h) Revenue recognition

The Corporation uses the straight-line method of recognizing rental revenue whereby the total amount of contractual rent to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, deferred rent receivable is recorded for the difference between the straight-line rental revenue recorded and the contractual amount due from tenants

With the exception of rental revenue, revenue is recognized as services are provided to customers, tenants and clients using the accrual basis of accounting when it is reliably measured and there is probability that the economic benefit will flow to the Corporation.

Amounts received in advance of contract terms are recorded as deferred revenue.

i) Provisions

Provisions for legal claims are recognized when the Corporation has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount on provisions is recognized in profit or loss as finance expense.

j) Financial instruments

The Corporation uses the following categories to classify its financial instruments: fair value through profit or loss, held to maturity, loans and receivables, available for sale, and other liabilities. All financial instruments are measured at fair value on initial recognition and are recorded on the consolidated statement of financial position. Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs are included in the initial carrying amount of financial instruments except for those designated as fair value through profit or loss, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Fair value through profit or loss financial assets and liabilities are subsequently measured at fair value, with changes in fair value being recognized in the consolidated statement of operations. Available for sale financial assets are subsequently measured at fair value, with changes in fair value being recognized as other comprehensive income. Financial instruments classified as held to maturity, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest method, less any impairment.

As at December 31, 2012, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately.

The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into three levels.

Level one — fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access.

Level two — fair values are determined using inputs other than quoted prices included in level one that are observable for the asset or liability, either directly or indirectly.

Level three — fair values are determined based on inputs for the asset or liability that are not based on observable market data.

k) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period incurred.

l) Employee benefits

All employees are members of the Capital Pension Plan, a defined contribution plan administered by CIC. The Corporation's financial obligation is limited to making regular contributions in proportion to employees' earnings. These contributions are charged to profit or loss when due.

Employee entitlements to annual leave are recognized as they are earned by the employees. An accrual, stated at current cost, is made for the estimated liability at period end.

4. Finance Income and Expense

Finance income consists of the following:

	2012	2011
Interest earned on bank balances	$ 118	$ 100
Interest earned on debt retirement fund	69	61
Change in fair value of debt retirement fund	(33)	33
	$ 154	$ 194

Finance expense consists of the following:

	2012	2011
Long term debt	$ 1,740	$ 1,740
	$ 1,740	$ 1,740

5. Cash and Cash Equivalents

	At December 31, 2012	At December 31, 2011
Cash in bank and on hand	$ 8,925	$ 7,849
	$ 8,925	$ 7,849

Cash held in bank earns investment income based on a fixed percentage in relation to the floating bank prime rate.

6. Trade and Other Receivables

	At December 31, 2012	At December 31, 2011
Trade receivables, net of allowance	$ 2,521	$ 2,810
Accrued receivables	441	607
Work in progress	64	255
Other	18	60
	$ 3,044	$ 3,732
Current	1,776	2,569
Non-current	1,268	1,163
	$ 3,044	$ 3,732

Work in progress includes unbilled labour and materials for third party projects.

7. Property, Plant and Equipment

	Administration	Processing Facility	Furniture and Equipment	Total
Cost				
Balance at December 31, 2010	$ 1,984	$ 328	$ 2,209	$ 4,521
Additions	19	-	371	390
Disposals	(242)	-	(40)	(282)
Transfers from related party	-	1,804	1,012	2,816
Balance at December 31, 2011	1,761	2,132	3,552	7,445
Additions	11	12	579	602
Balance at December 31, 2012	1,772	2,144	4,131	8,047
Accumulated amortization and impairment losses				
Balance at December 31, 2010	1,672	78	1,172	2,922
Amortization	155	46	231	432
Disposals	(242)	-	(3)	(245)
Transfers from related party	-	654	1,012	1,666
Balance at December 31, 2011	1,585	778	2,412	4,775
Amortization	99	56	284	439
Balance at December 31, 2012	1,684	834	2,696	5,214
Carrying amounts				
Balance at December 31, 2011	$ 176	$ 1,354	$ 1,140	$ 2,670
Balance at December 31, 2012	$ 88	$ 1,310	$ 1,435	$ 2,833

8. Investment Property

	Buildings	Land and Infrastructure	Leasehold Improvements	Construction in Progress	Total
Cost					
Balance at December 31, 2010	$ 42,937	$ 10,380	$ 3,950	$ 3,448	$ 60,715
Additions	4,211	1,324	655	1,639	7,829
Disposals	(699)	-	(1)	-	(700)
Transfers from related party	127,755	42,032	2,124	-	171,911
Balance at December 31, 2011	174,204	53,736	6,728	5,087	239,755
Additions	4,229	6,739	807	(3,498)	8,277
Disposals	(745)	-	-	-	(745)
Balance at December 31, 2012	177,688	60,475	7,535	1,589	247,287
Accumulated amortization and impairment losses					
Balance at December 31, 2010	3,412	784	2,795	-	6,991
Amortization	3,900	1,091	497	-	5,488
Impairment losses	-	-	-	691	691
Disposals	(575)	-	(2)	-	(577)
Transfers from related party	39,123	11,207	2,043	-	52,373
Balance at December 31, 2011	45,860	13,082	5,333	691	64,966
Amortization	5,290	1,420	662	-	7,372
Disposals	(745)	-	-	-	(745)
Balance at December 31, 2012	50,405	14,502	5,995	691	71,593
Carrying amounts					
Balance at December 31, 2011	$ 128,344	$ 40,654	$ 1,395	$ 4,396	$ 174,789
Balance at December 31, 2012	$ 127,283	$ 45,973	$ 1,540	$ 898	$ 175,694

The market value of investment property at December 31, 2012 was $315,000 (December 31, 2011 - $299,000). The market value is based on internally generated estimates on cash flows of individual properties using capitalization rates in the range of 7.0% to 10.0% applied based on property type and market characteristics which resulted in an overall weighted average cap rate of 7.2%.

The impairment loss recognized during 2011 relates to costs incurred in prior years in the design of new buildings for development. As the corporation does not currently intend on proceeding with construction of these buildings the carrying amount of $691 is considered impaired. The impairment loss is recognized in the consolidation statement of comprehensive income under "Rental operations" expenses.

9. Debt Retirement Fund

Balance, December 31, 2010	$	506
Installments		367
Earnings		61
Valuation adjustment		33
Balance, December 31, 2011		967
Installments		367
Earnings		69
Valuation adjustment		(33)
Balance, December 31, 2012	$	1,370

Under conditions attached to the long term debt issues, the Corporation is required to invest an amount equal to one percent of the original debt issue on an annual basis. The investment, in the form of a debt retirement fund, is administered by Saskatchewan's Ministry of Finance. As at December 31, 2012, scheduled debt retirement fund installments due in each of the next five years are as follows:

2013	$	367
2014		367
2015		367
2016		367
2017		367

10. Other Assets

	At December 31, 2012	At December 31, 2011
Deferred rent receivable	$ 818	$ 564
Leasing costs	144	211
	$ 962	$ 775

11. Trade and Other Payables

	At December 31, 2012	At December 31, 2011
Trade payables	$ 1,419	$ 1,432
Interest payable	632	632
Accrued liabilities and other	2,434	2,750
	$ 4,485	$ 4,814

12. Provisions

The Corporation continues its discussion with the City of Saskatoon regarding electrical consumption for one building at Innovation Place that was not appropriately metered for the period of 1987 to 2002. The Corporation has accrued a provision which is considered to be a reasonable estimate based on the current facts. For sensitivity reasons, the provision is included with accrued liabilities. The Corporation will account for any difference in the settlement amount in the period in which the issue is resolved.

13. Long Term Debt

	At December 31, 2012	At December 31, 2011
Balance, beginning of year	$ 36,684	$ 36,684
Issues during the year	-	-
Repayments	-	-
Balance, end of year	$ 36,684	$ 36,684

The Corporation's long term debt balance consists of two CPP Investment Board debt issues with the Province of Saskatchewan.

Date of Issue	Date of Maturity	Effective Interest Rate (%)	Coupon Rate (%)	Outstanding Amount December 31, 2012
July 11, 2008	July 11, 2038	4.71	4.71	$ 23,684
May 3, 2010	May 3, 2040	4.80	4.80	13,000
				$ 36,684

There are no scheduled principal debt repayments due in the next five years.

14. Equity Advances

Prior to March 31, 2011, under an operating agreement with the Ministry of Energy and Resources (formerly the Ministry of Industry and Resources), the Corporation leased the majority of its assets from the Ministry of Energy and Resources for a nominal annual amount. Under the terms of this agreement, the Corporation had been assigned all rental revenue generated and was responsible for all costs associated with their operation.

On March 31, 2011, ownership of all of the assets previously leased from the Ministry of Energy and Resources was transferred to the Corporation through Crown Investments Corporation (CIC). The transfer was accounted for at the book value of the assets being transferred and resulted in an equity advance from CIC in the amount of $120,687.

15. Operating Leases

Operating leases relate to investment property owned by the Corporation. Operating leases generally have terms of one to five years.

Rental income earned from investment property is reported as rental income, and associated operating expenses as rental operations expense, in the Statement of Comprehensive Income.

The future minimum lease payments under non-cancellable operating leases, at December 31, 2012, was as follows:

Within one year	$	16,954
After one year but not more than five years		28,940
More than five years		3,432
	$	49,326

16. Operating and Administration Expenses

	2012	2011
Employee benefits	$ 11,190	$ 10,969
Utilities	4,013	3,998
Grants in lieu of property taxes	3,404	3,928
Amortization	7,811	5,920
Inventory consumed in the provision of services	879	921
Other	7,673	7,800
	$ 34,970	$ 33,536

17. Capital Management

The Corporation's capital management objective is to maintain financial viability by effectively managing cash from operations and its capital structure.

The Corporation's capital structure consists of notes payable, long term debt, retained earnings and equity advances.

The Corporation funds its capital requirements through internally generated funds, debt and equity advances. As a Crown corporation, the Corporation receives its debt from the Saskatchewan Ministry of Finance. By legislation, the Corporation cannot have more than $170 million of debt outstanding at any time. In addition, by Order in Council, the Corporation may only have $50 million of short term notes outstanding at any time.

The Corporation monitors its capital structure on the basis of the debt ratio. The current long term debt ratio target is 60%, which is consistent with the prior period. The ratio is calculated as follows:

	At December 31, 2012	At December 31, 2011
Long term debt	$ 36,684	$ 36,684
Cash available to repay debt	(7,295)	(5,816)
Total net debt	$ 29,389	$ 30,868
Retained earnings	$ 29,565	$ 28,092
Equity advances	120,687	120,687
Total equity	$ 150,252	$ 148,779
Debt ratio	16.36%	17.18%

Cash available to repay debt reflects cash and debt retirement funds, net of cash required for operations.

The Corporation complied with all externally imposed restrictions on its debt for the period ended December 31, 2012.

18. Commitments

The Corporation has several capital projects under construction. The estimated cost to complete projects under construction is approximately $1,300.

19. Financial Instruments

The following table presents the classification, carrying amounts and fair values of the Corporation's financial instruments.

		December 31, 2012		December 31, 2011	
	Class.	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and cash equivalents	**FVTPL**	$ 8,925	$ 8,925	$ 7,849	$ 7,849
Trade and other receivables	**L&R**	3,044	3,044	3,732	3,732
Debt retirement fund	**FVTPL**	1,370	1,370	967	967
Financial liabilities					
Trade and other payables	**OL**	$ (4,485)	$ (4,485)	$ (4,814)	$ (4,814)
Dividends payable	**OL**	(741)	(741)	-	-
Long term debt	**OL**	(36,684)	(45,909)	(36,684)	(45,695)

FVTPL – fair value through profit or loss
L&R – loans and receivables
OL – other liabilities

Fair values

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables, notes payable and dividends payable approximate carrying value due to their immediate or short term nature.

Debt retirement funds are valued at the closing period end unit prices received from the Saskatchewan Ministry of Finance.

Long term debt is valued at the present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Fair value hierarchy

Fair value for cash and cash equivalents and the debt retirement fund are recognized in the Statement of Financial Position. Cash, by its nature, is classified as level one. The debt retirement fund is classified as level two.

20. Financial Risk Management

a) Credit risk

Credit risk is the risk of an unexpected loss if a client or third party to a financial instrument fails to meet its contractual obligations.

The maximum credit exposure is limited to the carrying amount of cash and cash equivalents, trade and other receivables and the debt retirement fund.

Cash and cash equivalents are maintained with high credit quality financial institutions and management considers the risk of non performance to be minimal.

Although the Corporation's policy to promote economic development leads to accepting some tenants that have higher credit risk, potential losses are mitigated by the fact that no one tenant occupies more than 10% of rentable space. The Corporation also has established policies and procedures to assess the potential risk prior to extending credit to any client. The following reflects an aging summary of the Corporation's accounts receivable:

	At December 31, 2012	At December 31, 2011
Current	$ 1,176	$ 1,631
31 – 60 days	193	288
61 – 90 days	203	90
Over 90 days	2,203	2,346
	3,775	4,355
Allowance	(731)	(623)
Trade and other receivables	$ 3,044	$ 3,732

Provisions for credit losses are maintained and regularly reviewed by management. Credit losses are estimated based on an account by account review. Amounts are written off only after reasonable collection efforts have been exhausted. Details of the allowance are as follows:

	At December 31, 2012	At December 31, 2011
Allowance for doubtful accounts, beginning of period	$ 623	$ 456
Provision	108	271
Write-offs, net of recoveries	-	(104)
Allowance for doubtful accounts, end of period	$ 731	$ 623

Debt retirement funds are on deposit with Government of Saskatchewan's General Revenue Fund. The investment strategy is determined by the Minister of Finance. At December 31, 2012, the debt retirement fund consists mostly of Provincial government and Federal government bonds with varying maturities and are managed based on maturity profile and market conditions. Accordingly the related credit risk associated with these investments is considered low.

b) Interest rate risk

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. The Corporation is exposed to interest rate risk on the maturity of its notes payable. Interest rate risk is managed through converting notes payable to long term debt with fixed interest rates. There were no outstanding short term debt instruments at December 31, 2012.

The Corporation is also exposed to interest rate risk on its cash balances as the rate of return fluctuates with prime interest rates. The impact of fluctuations in prime interest rates is not considered significant to the Corporation.

c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's cash resources are managed based on financial forecasts and anticipated cash flows.

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2012:

	6 Months or Less	7 - 12 Months	1 - 2 Years	3 - 5 Years	More Than 5 Years
Trade and other payables	$ 4,485	$ -	$ -	$ -	$ -
Dividend Payable	741	-	-	-	-
Long term debt	870	870	1,740	5,218	74,150
	$ 6,096	$ 870	$ 1,740	$ 5,218	$ 74,150

Contractual cash flows for long term debt include principal and interest payments but exclude debt retirement fund installments.

d) Market risk

Market risk is the risk that the value of an investment will decrease due to moves in market factors.

The Corporation is exposed to market risk primarily through the debt retirement fund. Fair value adjustments will fluctuate based on changes in market prices. Fair value adjustments similar to those experienced up to December 31, 2012 would not have a material impact on net income.

21. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, universities, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Non Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered related parties.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. Total rental revenue from related parties in 2012 was $15,690 (2011 - $15,895).

The Corporation pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Compensation of key management personnel

Key management personnel include Executive Directors and Corporate Officers. The compensation paid to key management for employee services is shown below:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Salaries, wages and short term employee benefits	$ 1,490	$ 1,418
Post-employment benefits	80	78
	$ 1,570	$ 1,496

22. Pension Plan

Pension expense, consisting of corporate contributions made in proportion to employees' earnings, for the year ended December 31, 2012 was $563 ($554 for the year ended December 31, 2011).

Photo Key

Cover The Garden Park in Saskatoon
Table of Contents The Galleria building in Saskatoon
A Message to Our Stakeholders The Dr. Burton Craig building in Saskatoon
Corporate Governance The Terrace building in Regina
Strategic Direction 121 Research Drive in Saskatoon
Management's Discussion and Analysis A greenhouse from the L.F. Kristjanson Biotechnology Complex in Saskatoon
Auditors' Report The ISM Building in Regina

Corporate Office

Innovation Place
114 - 15 Innovation Boulevard
Saskatoon, Saskatchewan
S7N 2X8

306.933.6295
saskatoon@innovationplace.com
www.innovationplace.com